GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2050
ANSWERED ON:30.11.2007
FBT ON STOCK OPTIONS
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Will the Minister of FINANCE be pleased to state:

(a) Whether the Government has finalized the guidelines for evaluating fringe benefit tax on stock options given by companies to its employees;

(b) If so, the details thereof; and

(c) the extent to which revenue will increase after the implementation of such guidelines?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) Yes, Sir. The Government has finalized the guidelines and the same have been notified vide S.O. No. 1805 (E), dated 23rd October, 2007.

(b) The salient features of the guidelines notified by the Government are as follows:

(1) In a case where, on the date of the vesting of the option, the share, in the company is listed on a recognized stock exchange, the fair market value shall be the average of the opening price and closing price of the share on that date on the said stock exchange.

(2) If on the date of vesting of the option, the share is listed on more than one recognized stock exchanges, the fair market value shall be the average of opening price and closing price of the share on the recognised stock exchange which records the highest volume of trading in the share.

(3) If on the date of vesting of the option, there is no trading in the share on any recognized stock exchange, the fair market value shall be

(i) the closing price of the share on any recognised stock exchange on a date closest to the date of vesting of the option and immediately preceding such date; or

(ii) the closing price of the share on a recognised stock exchange, which records the highest volume of trading in such share, if the closing price, as on the date closest to the date of vesting of the option and immediately preceding such date,is recorded on more than one recognized stock exchange.

(4) In a case where, on the date of vesting of the option, the share in the company is not listed on a recognized stock exchange, the fair market value shall be such value of the share in the company as determined by a merchant banker on the specified date.

(5) The terms `opening price`, `closing price`, `equity share`, `merchant banker`,`recognised stock exchange` and `specified date` have been defined in the said notification.

(c) The Government has not made any estimate of the extent to which revenue will increase on account of imposition of FBT on ESOPs.